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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000171

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E.O. 12958: DECL: 01/23/2032

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SUBJECT: DPP CHAIRMAN YU SHYI-KUN DISCUSSES BUDGET IMPASSE,
CONSTITUTIONAL REVISION, AND PARTY PRIMARIES

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: In a meeting with the Director on January 23, DPP Chairman Yu Shyi-kun expressed hope that the Legislative Yuan (LY) will hold a special session at the end of the month to pass the 2007 budget, including the budget for arms procurement. The Director stressed to Yu the importance of avoiding sensitive sovereignty issues in the constitutional revision process. Taiwan leaders, including President Chen and Yu, have the responsibility to draw a clear distinction between good and bad ideas, the Director pointed out, adding that the U.S. does not want to be put in a position where it has to openly criticize President Chen or other Taiwan leaders. Yu said the DPP understands that constitutional revisions cannot pass but need to push the party's "ideals" to consolidate the Deep Green base and prevent former President Lee Teng-hui's Taiwan Solidarity Union (TSU) from making gains at DPP expense. End Summary.

12. (C) The Director discussed domestic and bilateral issues with Democratic Progressive Party (DPP) Chairman Yu Shyi-kun in a meeting at DPP headquarters on January 23. Noting Mexico's recent refusal, under PRC pressure, to allow President Chen Shui-bian's aircraft to fly through its airspace, the Director observed that this reflected the PRC's zero-sum attitude toward Taiwan's international activities. Yu said the Chinese were "very stupid." President Chen and the DPP had been telling the Taiwan people in an abstract way about China's unfriendly attitude to Taiwan. The aircraft incident, which added five hours to the flight from Nicaragua to Los Angeles, proved the DPP contention in a very concrete way to the large contingent of Taiwan reporters on the aircraft, Yu said.

13. (C) The Director noted widespread international concerns over China's January 11 anti-satellite missile test, concerns exacerbated by China's lack of transparency. According to Yu, Taiwan believes the test was an implied message from China to the U.S. and Japan: "Don't intervene in Taiwan affairs."

The Budget Impasse

14. (C) The Director asked Yu about the impasse over the

budget in the Legislative Yuan (LY). Yu argued that the LY's failure to pass the budget showed that Kuomintang (KMT) Chairman Ma Ying-jeou could not be trusted to fulfill his commitments. According to Yu, the DPP cannot negotiate on the KMT's bill to reorganize the Central Election Commission, because the bill is unconstitutional, as was demonstrated last year when the Council of Grand Justices overturned a very similar bill setting up the National Communications Commission (NCC). Yu disputed Ma's claim that the DPP has a 15-2 majority on the CEC, and he asserted that Ma's concern about the CEC reflects his fear that the CEC will allow the DPP to hold a referendum on KMT party assets at the time of the 2008 presidential election.

15. (C) The budget has to be passed by the LY, Yu stressed, and he expressed hope that the LY will decide to convene a special session at the end of January. The DPP and Taiwan Solidarity Union (TSU) have already made a proposal, and the decision whether or not to hold a special session will be determined at a meeting on January 29. The ruling and opposition parties have already reached a consensus on the budget, including arms procurement, Yu said. In a press conference just before his meeting with the Director, Yu noted, he had pointed out that the PRC anti-satellite missile test appeared timed to pressure Taiwan's LY as it considered the arms procurement budget. Without LY approval of the 2007 budget, government spending continues at established levels. Of the total NTD 70 billion in new spending that is currently blocked by the 2007 budget impasse, 80 percent or NTD 54.7 billion is for arms procurement, according to Yu.

The DPP Primary Process

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16. (C) The DPP will hold primary balloting for legislative and presidential candidates at the same time in May, Yu said. The entire primary process will go through four stages: registration, consultation, a vote by party members, and a public opinion poll. Candidates will be selected through consultation when possible. Otherwise, the vote will count 30 percent and the public opinion poll 70 percent in deciding candidates. Yu did not believe he and other prospective candidates should be required to leave office while running in the primaries.

Constitutional Revision

17. (C) The Director conveyed the strong interest and concern in Washington over DPP plans for constitutional revision, especially those involving sensitive sovereignty issues in the constitution's first six articles. Since constitutional revisions cannot actually pass due to high thresholds, officials in Washington are wondering why the DPP is pressing issues that could raise questions about Taiwan's commitments to the U.S. and potentially could stir cross-Strait tensions.

18. (C) The DPP understands that the U.S. is concerned about the process as well as the results of constitutional revision, Yu said. There is a distinction between personal beliefs, party positions, and government policies, Yu suggested. As a political party, the DPP has to stand for its ideals or it will lose its supporters and therefore lose to Ma Ying-jeou in the 2008 presidential election.

19. (C) In central and southern Taiwan, Yu said, the view is common that the DPP has already lost its ideals. If the DPP does not take steps to consolidate its base, the TSU and former President Lee Teng-hui will increase influence and divide the pan-Green. TSU candidates in the 2007 LY elections could pose difficulties for DPP candidates. In the recent Kaohsiung election, the DPP won because it turned the election into a Green-Blue showdown. Although Chen Shui-bian enjoys only 20-25 percent support, his campaigning in

Kaohsiung was essential to maintain support from the Deep Green base and prevent its defection to the TSU. If the DPP does not consolidate its base, the TSU will grow stronger and run its own candidate in the 2008 presidential elections. The reason why the TSU was not able to take advantage of DPP weakness last year was because of DPP rhetoric that appealed to the base. "The DPP talked louder than the TSU," Yu observed. If the DPP had been overly moderate in trying to appeal to middle voters, the TSU would be growing stronger and posing a threat to the DPP. The DPP is essentially an election campaign mechanism and does not lead the government, Yu pointed out. The government, including President Chen and Premier Su, have the responsibility to ensure that Taiwan does not surprise or cause difficulties for the U.S.

¶10. (C) The Director pointed out that, while it is fine for party members to hold democratic discussions, leaders including Chairman Yu and President Chen have the responsibility to draw a clear distinction between good and bad ideas. It is very important that the constitutional revision process be carried out in a way that avoids sensitive sovereignty issues that can damage relations with the U.S. and raise cross-Straits tensions. The U.S. does not want to be put in a position where it would have to openly criticize President Chen or other Taiwan leaders, the Director stressed; such a development would be bad for both Taiwan and the U.S.

Comment

¶11. (C) Yu understands our points on constitutional reform, but is trying to establish a distinction between the party and Chen government. He seemed a bit smug over the difficulty the budget impasse places on his Blue counterpart, Ma Ying-jeou. Though we counselled compromise with both party leaders, there is still potential for a zero-sum outcome in the LY that leaves Taiwan without the long-debated arms procurement funds.

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